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# TURNING A BLIND EYE?

The Impact of Corruption on Aid Fatigue

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**WORKING PAPER SERIES 2014:22**

**QOG** THE QUALITY OF GOVERNMENT INSTITUTE  
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Box 711, SE 405 30 GÖTEBORG  
November 2014  
ISSN 1653-8919  
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QoG Working Paper Series 2014:22  
November 2014  
ISSN 1653-8919

## ABSTRACT

Why do donors continue to send foreign aid to corrupt countries, despite that corruption is increasingly seen as detrimental to economic and environmental development? This study unpacks the complex relationship between corruption and aid fatigue and suggests that while corruption reduces support for foreign aid, reactions to corruption in aid depend on both the circumstances under which corruption occurs and prospects for accountability. Building on scenario-based experiments, the results show that the end results of aid, the scale and the perceived social normality of corruption influences the effect of corruption on aid fatigue. They also show that corruption generates specific aid fatigue (directed towards individual projects or actors) rather than support for generalized (across-the-board cuts) in aid levels. This contributes towards explaining why previous studies have failed to find a link between corruption and aid fatigue and how citizens deal with the "aid-corruption paradox", i.e. that the need for foreign aid is often the greatest in corrupt environments.

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## Introduction<sup>1</sup>

Despite the growing consensus about the detrimental effect of corruption for economic development, poverty reduction and efforts to reduce environmental problems (Mauro, 1995; Gupta et al., 2002; Holmberg et al., 2009), research shows that donors continue to send foreign aid to corrupt societies (Alesina and Weder, 2002; Chong and Gradstein, 2008). Additionally, corruption no more than environmental protection or economic development appears to give rise to positions for or against it in any cultural context: survey research and case studies suggest that corruption is universally seen as morally wrong (Widmalm, 2008; Miller et al., 2001; Nichols et al., 2004; Jordan Smith, 2007; Hasty, 2005; Person et al., 2012). Why, then, do we observe continued aid flows to corrupt countries?

Much of our current knowledge about how recipient country corruption affects foreign aid is based on studies that rely on co-variation between cross-national measures of corruption and aid flows (Alesina and Weder, 2002; Chong and Gradstein, 2008) or on surveys that seek to capture public opinion on foreign aid contributions to corrupt societies (Paxton and Knack, 2012). However, a common problem in corruption research is the overwhelming reliance on broad measurements of corruption that are divorced from its context. As a result, the extant literature provides little insight into the true trade-offs involved in corrupt transactions, and when and why citizens can be expected to react against it.

This article suggests that certain forms of corruption may have a stronger effect on support for foreign aid than what has previously been acknowledged. Donors are neither oblivious nor insensitive to the presence of corruption in recipient countries, and its implications for the effects of foreign aid (including the risk of perpetuating or exacerbating corruption, see Brautigam and

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<sup>1</sup> The author would like to thank Elin Bergman and Naghmeh Nasiritousi for excellent input on this paper

Knack, 2004). Instead, donors make careful considerations of the form and severity of corruption when deciding on future aid contributions. In particular, I suggest that if aid contributes towards successful outcomes despite being plagued by corruption or if corruption takes place in a context normally characterized by relatively high levels of corruption, the public in donor countries expresses less demand for punishing the aid recipient in future foreign aid decisions. However, if corruption is extensive, does not reach successful outcomes or takes place in contexts where corruption is not expected the donor public should be expected to express stronger support for countermeasures.

The study thereby explores and unpacks public understandings of the “aid-corruption paradox”, namely that the need for foreign aid is often the greatest in corrupt environments. While corruption is often seen as detrimental to the main targets of aid, such as reducing poverty or promoting environmental protection (cf. Dollar & Levine, 2006), a rigorous enforcement of a “zero tolerance” toward corruption risks in foreign aid would disqualify many countries as recipients of foreign aid. The effects of corruption on support for foreign aid can potentially be diminished by various understandings of this paradox (Bauhr, Nasiritousi and Charron, 2013), but we know less about how the context of aid can influence the social acceptability of corruption in foreign aid and under what circumstances citizens are at all willing to redistribute their tax money to contexts plagued by corruption. The study focuses on the explanatory power of some of the most widely used theories to understand corruption, including the distinction between legal and illegal corruption, between petty and grand corruption and the importance of the perceived social normality of corruption in the context in which it occurs. It also analyses the importance of effective outcomes of aid in terms of reducing poverty and mitigating climate change for retaining public support for foreign aid. Furthermore, current measures of aid fatigue typically seek to capture public support for foreign aid in general, which may underestimate public reactions toward corruption in foreign aid.

A public that is sensitive to the need to provide foreign aid to corrupt contexts, i.e. that understands the “aid-corruption” paradox, may express aid fatigue in terms of specific (project level) rather than generalized (across the board) aid fatigue.

The study advances the corruption and foreign aid literature by moving beyond the almost singular focus in extant research on aggregate, cross-national comparisons (see, for example, Alesina and Weder, 2002; Chong and Gradstein, 2008) that makes opaque both the meaning of ‘corruption’ and ‘aid fatigue,’ and accordingly their relationship. By only looking at the association between corruption indices and overall cuts in foreign aid levels, there is conceptual stretching (Sartori, 1970) in the independent variable while the dependent variable is very narrowly understood. As a result, these studies measure the relationship between a broad swath of illicit exchanges and a discrete form of donor response: across-the-board cuts in aid levels or public support for such cuts. This study instead presents a more fine-grained understanding of corruption in foreign aid and public responses. While the scale of the corruption problem can be expected to be important for public condemnation, several other dimensions and forms of corruption may spur public grievances to varying degrees. Furthermore, by allowing for reactions below the most aggregate level – across-the-board cuts in foreign aid – new patterns of the relationship between corruption and foreign aid may emerge.

While the opinion of the donor public may not be immediately evident in foreign aid decisions, research indicates the emergence of a foreign-policy savvy public (see, for example, Aldrich et al., 2006; Milner and Tingley, 2013). Several studies show that there is a significant co-variation between the views of the donor public and the actions by the donor government (Lumsdaine, 1993; Paxton and Knack, 2012) and that strong public support for foreign aid is important for meeting and sustaining aid commitments (Henson et al 2010; Mosley 1985; OECD 2003).<sup>1</sup> The policy relevance of the study is reinforced by increasing demand for foreign aid among

countries seeking to meet the Millennium Development Goals (Clemens et al., 2007), coupled with donor failure to deliver on aid commitments in nascent fields such as climate change (OECD, 2010). Moreover, a strong public support for foreign aid allows policymakers to engage in contexts where aid can produce beneficial effects in the long term, rather than those that involve the lowest short term financial, reputational or electoral risks.

The study proceeds as follows. First, I review the literature on the determinants of foreign aid, and specifically focus on how corruption has been suggested to influence support for foreign aid. Second, I develop a theoretical framework for the conditions under which corruption causes aid fatigue in the donor public, and derive five hypotheses on the relationship between corruption and aid fatigue. Third, I present the research design and empirical study: a scenario based experiment on how individuals in a context where previous research has failed to establish a connection between corruption and aid fatigue respond to experimental scenarios of aid diversion. Fourth, I present the results and show that it is, indeed, important to distinguish between different varieties of corruption when estimating the effect on the public's demand for general and specific measures in response to aid diversion. The fifth section concludes.

## **Corruption and Aid Fatigue**

In recent years, donors have focused increasing attention on the problems caused by corruption in developing countries. However, few studies have explored how this increased attention to corruption has affected public support for foreign aid in donor countries. While substantial research effort has been devoted to the larger issue of the determinants of foreign aid (see, for example, Lebovic and Voeten, 2009; Tingley, 2010; Boulding and Hyde, 2008), the particular role of corruption has mainly been studied at cross national level, focusing either on its effect on aid disbursements

(Alesina and Dollar, 2000; Alesina and Weder, 2002; Chong and Gradstein, 2008) or public support for foreign aid (Chong and Gradstein, 2008).

Influential studies suggest that the strategic interest of donors account for aid allocation to a greater degree than recipient characteristics such as democratic practices. Alesina and Dollar (2000) show that factors such as bilateral trade and colonial ties were thus found to have a stronger effect on aid levels than political and institutional factors in the recipient country. Building on these findings, other research suggests that donor governments do not punish recipient governments for violations of human rights, since their strategic interests may provide a disincentive to do so (Lebovic and Voeten, 2009). Some studies give very little support to the contention that corruption causes ‘aid flight’. Alberto Alesina and Beatrice Weder (2002) use official aid flows as their dependent variable, and try seven cross-national measures of corruption as their independent variable to capture the aggregate level of corruption by country. Building on these measures, the study’s conclusion is that “there is no evidence whatsoever that less corrupt countries receive more foreign aid” (Alesina and Weder, 2002, 19). Similarly, Chong and Gradstein (2008) test the relationship between the level of corruption and aid. No statistically significant relationship is found between corruption in the recipient country and aid disbursements although domestic corruption in the donor country drives down aid levels (Chong and Gradstein, 2008).<sup>2</sup>

However, this approach tells us little about how public reactions to corruption constrains possibilities to meet current demands for increased levels of foreign aid or how donor publics may constrain donors transactions to highly corrupt countries. In other words, pointing to the fact that corrupt countries receive more aid than less corrupt countries tell us little about whether corruption causes aid fatigue, and thereby reduces absolute levels of foreign aid to these contexts. The debate

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<sup>2</sup> Similarly, results based on cross-national responses to the 2002 Gallup International “Voice of the People” indicate that most people do not view corruption as a deal-breaker for foreign aid. Americans represent the only country in which a majority of people believes that aid should only be given to non-corrupt countries (Paxton and Knack, 2012).

about failing public support for foreign aid has taken on a greater significance in recent years as aid commitments have climbed sharply. The increasing disillusionment with the ability of foreign aid to produce desirable results and a general disenchantment with the idea of foreign aid could potentially have detrimental effects on aid levels (Boschini & Olofsgård, 2007).<sup>3</sup> As demand for foreign aid rises with countries seeking to meet the Millennium Development Goals (Clemens et al., 2007), and donors agreeing on unprecedented increases in aid in emerging fields such as climate change, there is now a new sense of urgency that the supply of aid has to be more forthcoming. One of the few concrete outcomes of the Copenhagen accords on climate change was a promise to deliver \$30 billion emergency aid in the next three years and \$100 billion a year by 2020 for developing countries. However, several countries are already falling short on their aid commitments (OECD, 2010). A strong public support for foreign aid is important for meeting and sustaining these commitments (Lumsdaine, 1993; Paxton and Knack, 2012).

There are reasons to believe that recipient performance (e.g. corruption) has increased in salience as a factor in aid allocation decisions since the 1990s. The increased media attention on corruption has made this issue more salient globally, not least since it has been increasingly accepted that corruption has a clear negative effect on desirable outcomes such as economic growth or environmental protection. Some studies find that recipient country performance does influence aid fatigue (Bauhr, Nasiritousi and Charron, 2012), that bilateral donors in the 1990s sometimes withdrew aid to countries following antidemocratic performance: electoral fraud, undermining of democratic institutions, and political violence (Hyde and Boulding, 2008) and that increasing quality of rule of law in the recipient country was a positive and significant predictor for multilateral aid in 2000-2003, (Dollar and Levin 2006). The steady supply of corruption scandals and indications of

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<sup>3</sup> For example, 7 of the 12 African countries that underwent structural adjustment programs with the help of World Bank and IMF during 1980-99 actually exhibited *negative* economic growth per capita (Phillips, 2009).



the weak or even counterproductive effects of foreign aid, not least in corrupt contexts (see, for example, Moyo, 2009; Boone, 1996; Svensson, 2000; Knack, 2001; Djankov, Montalvo, and Reynal-Querol, 2008; Easterly, 2006; Wright and Winters 2010) may have contributed to this development.

This paper sets out to unpack the complex relationship between corruption and aid fatigue, moving beyond studies of levels of aid disbursements and cross national comparisons, and instead focusing on better understanding the micro foundations of aid fatigue. This will allow us to understand how and under what circumstances corruption negatively impacts aid. In order to enrich our understanding of how a specific type of recipient characteristic – corruption – influences support for aid, we need to more carefully consider different forms and effects of corruption, or circumstance under which corruption occurs, as well as the varieties of responses to corruption in foreign aid.

## **Dimensions of Corruption: Conceptualizing the Relationship between Corruption and Aid Fatigue**

Foreign aid faces important trade-offs. This paper therefore departs from the assertion that even if citizens in general display a strong moral resentment of corruption, public understanding of the aid-corruption paradox may lead to a tolerance towards certain types of corruption or contexts in which it occurs. Important parts of the emerging literature on the causes and effects of corruption treat corruption as a uni-dimensional phenomenon; corruption is seen as primarily varying in scale rather than in type (Heywood and Andersson 2009). Many studies use indices such as the transparency international corruption perceptions index (e.g. Fredriksson *et al.*, 2003; Pellegrini and Gerlagh, 2004; Tanzi, 1998) or other measures of the scale of the corruption problem (e.g. Treisman 2007; Ades and Di Tella, 1997; Fisman and Gatti, 2002; Mauro, 1995; Tanzi and Davoodi, 2000). Although these indices are convenient for comparative research and contribute to exposing

cross country differences, such descriptions of corruption are insufficient to understand both the complex nature of corruption and its effects (Johnston, 2014). They are also insufficient to provide an understanding of the aid-corruption paradox. Since wide spread corruption and wide spread poverty generally coincide, understanding the scale of the corruption problem at the national level does not necessarily provide adequate guidance on where to direct aid funds nor how to address wide spread poverty.

This study proposes that the degree to which corruption elicit public demand for countermeasures is significantly influenced by the extent of corruption in foreign aid projects (which may not be adequately captured by looking simply at overall differences in levels of corruption between recipient countries), but also by the legality/illegality of corruption, the effect of the program or project, and the context of corruption, in particular the perceived normality in the context in which it occurs. These four dimensions of corruption are discussed in turn below.

Most theories of the effects of corruption depart from the assumption that the *scale* of the corruption problem is important to understand its societal effects. While many indices used to measure corruption rank countries in terms of the extent of corruption in society, the scale of corruption cannot necessarily be reduced to whether there is “a little” or “a lot” of corruption. In other words, “whereas 0 and 100 degrees Celsius are measures with a certain utility related to boiling and freezing points for water, a ten-point scale of corruption has little intrinsic value” (Galtung, 2006). Furthermore, “scale and incidence of corruption are inversely related” (Huntington, 2009), meaning that the average value of the private goods and public services involved in a corrupt exchange tend to increase at higher levels of bureaucratic hierarchy. Therefore, the widely used distinction between petty and grand corruption is also a distinction related to the scale of the corruption problem, i.e the sums of money being exchanged in corrupt transactions, and not only the level in society in which it takes place. Several studies argue that large-scale corruption has different

effects than small-scale corruption. Uslaner (2008) suggests that grand corruption has a stronger negative effect on trust as it exacerbates inequality, since opportunities to divert large sums of money is usually exclusively available for actors with strong political connections that are already well off.

However, the explanatory power of the scale of the corruption problem cannot be understood, unless its definition is contextualized. In the context of donor opinions of foreign aid, the most meaningful conceptualization of the scale of the corruption problem could be the sums of money lost in corruption (rather than, for instance, the number of actors participating in corrupt transactions, or the absolute rank-number that a recipient country scores in the international social hierarchies of corruption control). This definition of scale comprises how much of donors tax money is being lost in corruption and thereby how much funds are being diverted from promoting development. Large-scale corruption can thus be less acceptable simply because the absolute sum of taxpayer money lost is greater. This forms our first hypothesis.

*H1: More extensive corruption defined as money lost in corrupt transactions results in stronger expressions of aid fatigue*

Another important dimension of corruption with potential implications for its societal acceptability is whether corruption can coexist with beneficial societal outcomes. The effectiveness dimension builds on research that suggests that acts are less likely to be seen as corrupt if they promote public benefits (Peters and Welch, 1978) or are otherwise viewed as effective (de Sousa, 2008). Whether corruption can coexist with efficient or good outcomes may influence if the donor public perceives the aid diversion as ‘corrupt enough’ to enforce accountability in future aid transfers.

The effectiveness dimension highlights the trade-off between corruption and public goods. Although research shows a clear negative association between corruption and desirable outcomes such as economic development and poverty reduction (Mauro, 1995; Gupta, 2002; Holmberg et al 2009), such general accounts tend to conceal important tradeoffs involved in corrupt transactions. Where corruption-free environments are unrealistic, tolerating the risk of aid diversion may be the only viable way to engage in poverty reduction and environmental improvement.<sup>ii</sup> The effectiveness dimension highlights this trade-off, and asks whether it is possible to justify wrongdoings done for the right cause, i.e. if the end can justify the means. In other words, the effectiveness dimension highlights the conflict between output legitimacy standards and throughput legitimacy standards (cf. Scharpf, 1999, Easton, 1965). Utilitarian conceptions of foreign aid and the aid-corruption paradox would hold that the costs of failed aid in terms of increased poverty or environmental degradation are so great that it may not be morally defensible to maintain a zero tolerance towards corruption risks in foreign aid. This forms the third hypothesis.

*H2: Corruption associated with successful developmental outcomes leads to less aid fatigue*

While both the extent of corruption and the outcome of aid may be intuitively important for the impact of corruption on aid fatigue, they are not neatly associated with the absolute level of corruption in recipient countries. Risk of failure (because of insufficient control of corruption and weak institutions) can be associated with potential for large welfare gains, since highly corrupt countries generally perform badly on development related indicators. Likewise, while the amount of aid money lost in corrupt transactions may be associated with the overall level of corruption in a recipient country, the amount of money lost is more likely to be of more direct importance to donors.

A third factor that may be relevant for citizens' expression of aid fatigue is the real or perceived possibilities to hold corrupt actors into account. Citizens may focus their demand for accountability on forms of corruption and actors where they perceive an opportunity to exercise accountability,

and be more ready to accept forms of corruption that fall beyond immediate accountability spheres. In particular, the legality of corruption and the actors involved may be important for citizens' perceptions of prospects of holding actors into account.

The *legalist* dimension pertains to whether corruption is legal or illegal. Here, I explore whether law breaking in a resource transfer context is more likely to lead to a lessening of support for foreign aid than acts that do not involve law breaking. In domestic studies, the public is often more likely to condemn ambiguous acts that violate the law (McCann and Redlawsk, 2006), potentially because holding actors into account may be more viable in such a context. However, scholars and anticorruption professionals have pointed to the fact that a focus on illegal corruption may not accurately capture important forms of corrupt behavior (Kaufmann, 2002). According to Peters and Welch (1978, 975), "all illegal acts are not necessarily corrupt and all corrupt acts are not necessarily illegal". Different forms of favoritism, patronage and conflict of interest can for example create a perception of corruption even if they are perfectly legal. For example, analysts claim that dramatic international development such as the recent financial crisis has its roots in legal corruption (Kaufmann, 2009). Such legal practices have traditionally received less scholarly attention and "involve[s] the manipulation of formal legal processes to produce laws (and thus legally sanctioned rules) that benefit private interests at huge expense to the general public" (Campos and Pradhan, 2007:9).<sup>4</sup> These practices may not be strictly illegal, but unethical and extralegal.

While legal corruption can be very important for our understanding of societal development, we expect illegal aid diversion to be more strongly condemned than legal ones. This would be consistent with findings the United States, Canada and Australia (Redlawsk and McCann, 2005;

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<sup>4</sup> See also Hellmann et al. (2000:6), who defines influence as occurring "when firms are able to affect the formation of laws in order to derive rents without recourse to illicit private payments to public officials". Similarly, legal corruption has been understood to occur when "the rules of the game and the state laws, policies, regulations and institutions may have been shaped in part by undue influence of certain vested interests for their own private benefit (and not for the benefit of the public at large)" (Kaufmann 2008).

Jackson et al., 1994; Peters and Welch, 1978). Illegal corruption may offer both greater prospects of demanding accountability, and potentially even greater perceived legitimacy of such demands. The second hypothesis thus suggests that the illegal rather than legal aid diversion produces more aid fatigue.

*H3: Corruption that is illegal exerts a stronger effect on aid fatigue than do legal acts of corruption.*

Finally, we may expect the social normality – here defined as the extent to which practices deviate from prevailing behavior – influences foreign aid support. On average, donor countries may experience less corruption than recipient countries, thereby making corruption in recipient countries more “normal”. The perceived social normality of corruption may influence its acceptability (de Sousa, 2008). Recent studies suggest that actors involved in thoroughly corrupt contexts perceive corruption as more socially normal, which may lead to a certain level of acceptance of corruption (Person et al., 2013). Donors may, in other words, perceive that corruption is “normal”, the expected behavior or even unavoidable in recipient countries, which would increase the level of acceptability of corrupt transactions in these contexts. Furthermore, citizens may perceive that actors in recipient countries fall outside their immediate and direct sphere of accountability. Mature democracies, on the other hand, are often expected to act on the basis of the norm of universalism rather than particularism and therefore be less engaged in corruption (Mungiu-Pippidi, 2006). Siphoning off aid funds for private gain, may therefore be extra problematic if they are associated with foreign aid donors rather than recipients.

*H4: Corruption induces more aid fatigue when it takes place in a context where corruption is viewed as a deviation from socially normal practices*

These different dimensions of corruption and their severity are summarized in figure one. This figure shows the four dimensions of corruption analyzed in this study, and how the severity of each

dimension of corruption is expected to relate to the strength of the donor public's demand for countermeasures.

TABLE ONE, DIMENSIONS OF CORRUPTION

Severity	Dimension of Corruption			
	<i>Legality</i>	<i>Scale</i>	<i>Social normality</i>	<i>Outcome</i>
<i>High</i>	illegal	Large scale	Non-corrupt Social Environment	Ineffective
<i>Low</i>	legal	Small scale	Corrupt Social Environment	Effective

Finally, the dependent variable of the study – aid fatigue – similarly needs to be carefully conceptualized. How can aid fatigue be conceptualized? While it is tempting to understand reactions to corruption simply as reductions in overall foreign aid levels or the level of support for foreign aid (Lahiri & Raimondos-Moller, 2004; Doig & Theobald, 1999; Alesina and Weder, 2002; Paxton and Knack, 2012; Chong and Gradstein, 2008; Schudel, 2008), it is important to note that this approach may not capture variations in the public responses to foreign aid diversion. Although these studies clearly add to our understanding of the relationship between country-level corruption and support for across-the-board cuts to foreign aid, we have scarce information on how aid diversion may influence other forms of responses to corruption in foreign aid. In turn, this lacuna leads to insufficient understanding of the constraints that policymakers face in attempting to uphold or increase public support for foreign aid.

This study proposes a more fine-grained understanding of aid fatigue and the donor public's reaction to aid misuse, and distinguishes between specific and generalized aid fatigue. Specific aid fatigue is expressions of aid fatigue directed to specific countries or projects. In other words, specific aid fatigue leads to the discontinuation of specific parts of aid undertakings, but do not necessarily have wider implications for the legitimacy of foreign aid or the overall aid budget. Generalized aid fatigue, on the other hand, expresses a wish to reduce overall aid budgets or even a general disillusionment with the positive potential of foreign aid. This distinction is important since it allows us to understand whether corruption leads to a reallocation of aid funds – away from the corrupt agent– rather than a reduction in overall aid budgets.

This forms our fifth and final hypothesis.

*H5: Both the severity and form of corruption has a weaker effect on generalized aid fatigue (across-the-board cuts) than specific aid fatigue (project-specific cuts)*

## **Data and Measurements**

The analysis is based on data from a unique survey experiment. Eight treatment groups were exposed to different scenarios of foreign aid corruption, varying the legality (legal/illegal), extent (small/large), context (non-corrupt/corrupt), and effectiveness of aid (failure/success). Respondents were then asked to rate their support for measures that I have coded as either specific or generalized aid fatigue (the experiment is described in more detail below).

The survey experiment was conducted on the Laboratory of Opinion Research's (LORE) Internet panel in April 2011 in collaboration with the center for Multidisciplinary Opinion and Democracy Research at the University of Gothenburg. The Swedish case provides an interesting context for examining the acceptability of corruption since Swedes are generally highly supportive



of foreign aid (Abrahamsson and Ekengren, 2010). Thus, it should be comparatively difficult to reduce support for foreign aid in the Swedish context. Although it is important to note that these participants do not constitute a representative sample of Swedish citizens, participants are more politically interested and generally more supportive of foreign aid than the average citizen. Thus, this bias in the sample may serve to make the results of this study stronger since it should be comparatively difficult to reduce support for foreign aid in this sample. Recent studies show that at the aggregate level corruption does not cause aid fatigue in Sweden, while such an association is present in several other European countries like Spain, Austria, Finland, Germany, Finland, and the UK (Bauhr, Nasiritousi and Charron 2013). Given the fact that corruption will likely continue to be an issue in foreign aid, it is important to understand if and when corruption may undermine aid support even in generally foreign aid-friendly publics.

Participants were randomly assigned into eight different groups, presented with journalistic texts that varied the form and severity of corruption. The dimensions of corruption are presented in table one and the full text of scenarios is available in appendix one. The dependent variable is generalized and specific aid fatigue. Participants from each group were asked about their opinions on how the development agency should respond to the uncovered corruption described in the scenarios. These responses range from support for very specific measures such as demanding that the money be repaid, the discontinuation of the aid project or even aid to the entire country, to the most generalized form of aid fatigue: the reduction of overall aid budgets. These questions were also combined into an aid fatigue index ( $\alpha .70$ ).

The results are analyzed using a two by four ANOVA and simple comparisons of means using Bonferroni-corrected standard errors. The experimental design of the study, with random assignment to treatment groups, strengthens causal claims.

## Results

The results of the experiment conducted explore how the effect of corruption on aid fatigue may depend on both the severity and type of corruption involved. It also allows us to explore the importance of distinguishing between generalized responses to corruption, such as cutting aid budgets, and specific project or country measures against corruption. I begin by investigating the overall question posed in this study: whether the donor public's response to corruption in foreign aid is conditioned by the form and severity of corruption. Table two presents the results of the two-way ANOVA, which broadly confirms H1-H5.

TABLE TWO, THE INFLUENCE OF THE SEVERITY AND DIMENSION OF CORRUPTION ON AID FATIGUE, ANOVA RESULTS

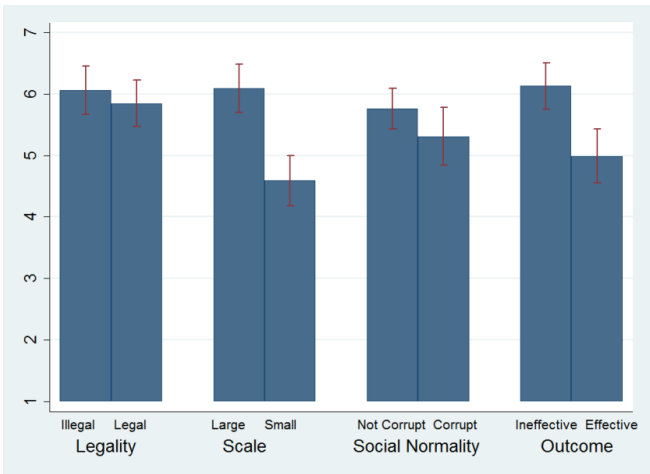
	d.v.	d.v.	d.v.	d.v.	d.v.	d.v.
	Take	Repay money	Discontinue	Discontinue	Reduce	Aid
	measures		project	aid to country	foreign aid	–fatigue index
Model	6.98 (0.000)***	7.37 (0.000)***	19.74 (0.000)***	3.89 (0.000)***	0.51 (0.828)	8.32 (0.000)***
Severity	31.38 (.000)***	9.41 (.002)***	68.35 (.000)***	6.29 (.012)**	0.23 (.630)	33.81 (.000)***
Dimension	3.42 (.017)**	7.16 (.000)***	20.60 (.000)***	3.53 (.014)**	0.98 (.403)	5.85 (.000)***
Severity*Dimension	3.29 (0.020)**	2.97 (.031)**	17.50 (.000)***	4.86 (.002)***	0.24 (.865)	4.41 (.004)***
N	793	789	787	788	791	778

Notes. Dependent variable is the aid fatigue index and its different components. F values reported with p-values in parenthesis. \*\*\*p.<.01, \*\*p.<.05, \*p<.10

First, the results show that the severity of corruption has a highly significant effect on aid fatigue ( $F=33.81$   $p<0.000$ ). The mean value on the 1-10 aid fatigue index – capturing aggregate aid fatigue – for the scenarios manipulating low severity was 5.197 (SE 108) and the high severity scenarios was 6.008 (SE.094). Mean values and standard errors are reported in table A1. Second, table two also shows that the type or dimension of corruption matters for aid fatigue, i.e. certain dimensions of corruption cause more aid fatigue than others ( $F=6.85$ ,  $p<0.001$ ). Third and finally, the results in table two broadly confirm the existence of an interaction effect between the dimension and severity of corruption. In other words, the severity of corruption is more important in some dimensions of corruption than others. The results of the two-way ANOVA show support also for this theoretical expectation ( $F$  4.41,  $p< .004$ ).

I next examine more closely the effects of corruption on aid fatigue. Figure one illustrates the mean values of our aggregate measure of aid fatigue (the aid fatigue index) in the different treatment groups.

**FIGURE ONE, THE INFLUENCE OF DIFFERENT FORMS OF CORRUPTION ON AID FATIGUE (MEAN VALUES WITH ERROR BARS)**



While mean values for the high severity scenarios are consistently higher, the figure shows that the severity of corruption seems to matter primarily within two types of corruption scenarios: the scale and the outcome scenarios, which confirm hypotheses 1 and 2. The results of the post-hoc tests reported in the right hand column of table three below show that large-scale corruption causes significantly more aid fatigue than small-scale corruption ( $p < .000$ ). The mean value of the aid fatigue index when corruption is small-scale is 4.6 (SE.204). When corruption is large-scale, the mean value of aid fatigue increases to 6.1 (SE.197).

TABLE THREE, POST-HOC TESTS OF DIFFERENCES IN MEAN, BONFERRONI-CORRECTED STANDARD ERRORS

Hypothesis	Dv take measures	Dv repay money	Dv discontinue aid project	Dv discontinue country	Dv reduce foreign aid	Aid fatigue index
illegal>legal	.302	.332	.012	.180	.0875	.216
Large scale > Small scale	1.025***	.450	2.105***	.754	.246	1.501***
Non corrupt social environment> Corrupt social environment	.441	1.184***	-.052	-.527	.0842	.446
Ineffective > Effective	.397	.413	1.948***	.634	-.0989	1.142***

Notes. Difference in mean values of aid fatigue index and its components with pair wise post hoc comparison of hypothesis on within dimension differences, bonferroni. \*\*\* $p < .01$ , \*\* $p < .05$ , \* $p < .10$

There is also a significant difference between failed and successful developmental outcomes of diverted aid ( $p < .000$ ) on the aid fatigue index. The mean value on the aid fatigue scale for failed outcomes is 6.1 (SE.190), while the mean value when aid produces successful results is 4.9 (SE.220). Thus, in accordance with our expectations, the effects of corruption on aid fatigue can be mitigated by the outcome of aid and the scale of the problem. Table three also shows that neither the difference between legal and illegal corruption nor the difference between donor and recipient country corruption attain statistical significance contrary to hypotheses 2 and 4, respectively. The mean value of the aid fatigue index in the group exposed to illegal corruption or receiving the non-corrupt social environment scenario is higher than the mean value of the group exposed to the legal corruption scenario and the corrupt social environment scenario, respectively. These differences do not, however, attain statistical significance when aid fatigue is aggregated into the aid fatigue index.

Let us now investigate how different dimensions of corruption influence generalized and specific aid fatigue. According to hypothesis 5, corruption induces specific rather than generalized aid fatigue. Table two above shows that neither the severity of corruption ( $F = .23$   $p < 0.630$ ) nor its different types or dimensions ( $F = 0.98$ ,  $p < 0.403$ ) exerts a significant effect on support for reducing overall aid budgets. This lends support to hypothesis five and shows that eliciting generalized responses to corruption in foreign aid such as reducing overall aid budgets is difficult in some contexts.

Corruption has a stronger effect on specific aid fatigue, however. Table two shows the results not only for the aid fatigue index and the measures of across the board cuts in foreign aid but also for of the dependent variables measuring specific aid fatigue (repay money, discontinue aid project and discontinue aid to the country). The results show that both the severity and the dimension of corruption, as well as their interaction, has a significant effect on aid fatigue when

measured as targeted action towards specific projects, specific countries or in terms of simply demanding that the money should be repaid. The effect of the severity of corruption on discontinuing the aid project has an F value as high as 68.35 and is significant at the 100% level. The mean values are reported in table A1 and illustrated in figure A1-A5. The mean value of discontinuing aid to the specific project in the low severity scenarios was 3.7 (SE .107), while the mean value for the high severity scenarios was 4.7 (SE .103). The corresponding mean values for demanding that the money should be repaid was 5.6 (SE .086) for the low severity corruption scenarios and 6.1 (SE .075) for the high severity corruption scenarios ( $F=9, 21, p < .002$ ). The effect of the severity of corruption on discontinuing aid to the entire country was somewhat smaller but still attained statistical significance ( $F=6.29, p < 0.012$ ). Here, the severity of corruption causes a mean value change from 2.6 (.097) in the low severity scenarios to 2.8 (.102) in the high severity scenarios.

This is consistent with our theoretical expectation: the donor public holds the responsible agent, rather than all foreign aid recipients, accountable for aid diversion by expressing specific aid fatigue. This result is important since it sheds light on why earlier studies have found little evidence of a relationship between corruption and aid fatigue in some contexts, i.e. the measurement of aid fatigue as across-the-board cuts of foreign aid (Alesina & Dollar, 2000;2002).

The results of the post hoc tests reported in table three confirm these results. As before, we now move beyond the aggregate picture by examining the effects of severity by dimension of corruption on specific and generalized aid fatigue. The results show that the severity of corruption, indeed, mainly matters for specific aid fatigue. As corruption grows in scale, we observe a significant increase in support for the discontinuation of the aid project ( $p < .000$ ), as well as support for taking measures in general in response to the discovered corruption ( $p < .000$ ). As aid corruption moves from being associated with successful to failed outcomes, we observe a statistically significant increase in support for discontinuing the aid project.

The final significant result in table three is that the donor public to a significantly higher degree holds donors rather than recipients accountable for repaying the money that has been diverted in corruption. The differences are illustrated in figure A2. In other words, the donor public tends to express more specific aid fatigue when the donor government is associated with corruption. The significance of social context for specific aid fatigue, and its lack of significance for generalized aid fatigue, suggests that certain responses to corruption may be seen as less legitimate when donors are involved in corruption. In particular, donor corruption may not produce responses in terms of discontinuing entire aid projects or an entire country as aid recipient. Rather, we see increased demands for the repayment of diverted funds. This shows some level of support for H4, and may also lend additional support for the idea of the importance of perceived opportunities for accountability shape demands for countermeasures.

In sum, the data shows overall support for the main hypothesis of this study: both the form and severity of corruption influences aid fatigue. While the legality of corruption did not play an important role in determining aid fatigue, the scale, the impact of corruption on effectiveness and the social normality of corruption shaped responses to corruption in foreign aid. However, all these forms of corruption influence specific aid fatigue and do not necessarily translate into generalized or across the board cuts in aid levels.

## **Conclusion**

This study has sought to contribute to our understanding of why donors continue to send foreign aid to corrupt countries, despite that corruption is increasingly seen as detrimental to economic and environmental development. The study suggests that one reason why some studies fail to find a link between corruption and aid fatigue is failure to distinguish between forms of corruption and types

of responses to corruption in aid. The results show that both the circumstances under which corruption occur and the severity of corruption influence aid fatigue. Donors punish corrupt recipients less if aid attains desirable results in the short term, such as reducing poverty or mitigating climate change. Furthermore, the scale of corruption in terms of money lost in corrupt aid transaction can be important for citizens' expression of aid fatigue, not only the overall level of corruption of the recipient country. Perceived opportunities for accountability and the perceived social normality of corruption influence aid fatigue. Citizens punish donors somewhat harder than corruption involving recipients of aid. The results also point to the importance of distinguishing between forms of responses to corruption in aid. Corruption can illicit strong specific reactions, targeted towards i.e. particular projects or actors, but do not necessarily translate into support for across the board cuts in aid levels.

These results are found in a country where some previous studies have failed to find a link between corruption and aid fatigue, and can thereby provide an understanding of how citizens deal with the aid-corruption paradox, i.e. that the need for foreign aid is often greatest in environments where corruption is deeply entrenched. Although findings would benefit from being tested in more settings using a greater variety of methods, they show that corruption may have a stronger effect on aid fatigue than what has previously been acknowledged. The results show that responses to corruption in aid vary depending on the context in which it occurs, and do not necessarily translate into reduced overall support for foreign aid or visible cuts in overall aid levels to certain countries. Therefore, studies would benefit from increasingly moving beyond the most aggregate level of indicators, such as the amounts of aid funds distributed to corrupt countries, in order to better understand the relationship between corruption and aid, and to unpack the complex issues that corruption poses to greater demands for accountability.



Citizens who broadly condemn corruption can still condition their condemnation on the circumstances under which corruption occurs and the potential for demands for accountability. The contribution of foreign aid to local and global public goods may be of greater concern than corruption per se, despite its long term detrimental effects on development. Citizens seem to care about corruption not primarily because it is morally wrong but because it is seen as an impediment to attain desirable goals. A strong public concern for aid effectiveness can be very important to reduce waste in aid. However, as noted by Collier (2007,183) in *The Bottom Billion*, concerns about measurable effectiveness in aid may also make policy makers and aid agencies risk averse and constrained to deliver aid in sub-optimal ways. Since corruption has been more clearly intertwined with discourses of effectiveness since the mid-1990s, and the costs of corruption become more widely understood, this clearly risks further increasing aid fatigue in the future. Moreover, the results suggest that even citizens living in contexts where the overall level of corruption is very low perceive corruption as more acceptable in contexts where corruption is endemic. In other words, citizen propensity to turn a blind eye to corruption may increase if it is the expected behaviour or demands for accountability may fail ( cf Person, Rothstein and Teorell, 2012).

Insights into the important trade-offs involved in corrupt transactions, and when and why citizens can be expected to react against is important to understand the intricate relationship between corruption and development. Knowledge about the relationship between corruption and foreign aid contribute to a better understanding of the persistence of corruption as well as the future potential for international solutions to some of the most pressing issues of our times. As the anticorruption industry is increasingly successful in placing anticorruption efforts on policy agendas, this shift in focus may potentially reshape the global development and foreign aid agenda. Finding long-term and legitimate avenues for international interaction and integration is therefore one of the great challenges of our times.



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# APPENDIX

TABLE A1. MEAN VALUES OF AID FATIGUE AMONG DIFFERENT GROUPS, STANDARD ERRORS IN PARENTHESIS

Type of corruption	Take measures	Repay money	Discontinue project	Discontinue aid to country	Reduce foreign aid	Aid fatigue index	–
illegal	6.701 (.097)	6.082 (.162)	4.714 (.210)	2.794 (.208)	2.825 (.212)	6.063 (.198)	
Legal	6.398 (.121)	5.75 (.141)	4.726 (.189)	2.975 (.197)	2.737 (.192)	5.846 (.189)	
Large scale	5.879 (.165)	6.357 (.119)	4.735 (.224)	2.735 (.218)	2.607 (.210)	6.089 (.197)	
Small scale	6.905 (.040)	5.907 (.163)	2.629 (.172)	1.981 (.150)	2.361 (.191)	4.589 (.204)	
Non Corrupt social environ- ment	6.639 (.097)	6.458 (.112)	3.948 (.205)	2.583 (.176)	2.667 (.200)	5.757 (.167)	
Corrupt social environment	6.198 (.152)	5.275 (.195)	4 (.230)	3.110 (.221)	2.582 (.200)	5.311 (.238)	
Ineffective	6.534 (.122)	5.676 (.173)	5.267 (.172)	3.129 (.214)	2.627 (.185)	6.131 (.190)	
Effective	6.137 (.145)	5.263 (.189)	3.319 (.209)	2.495 (.189)	2.726 (.205)	4.989 (.220)	

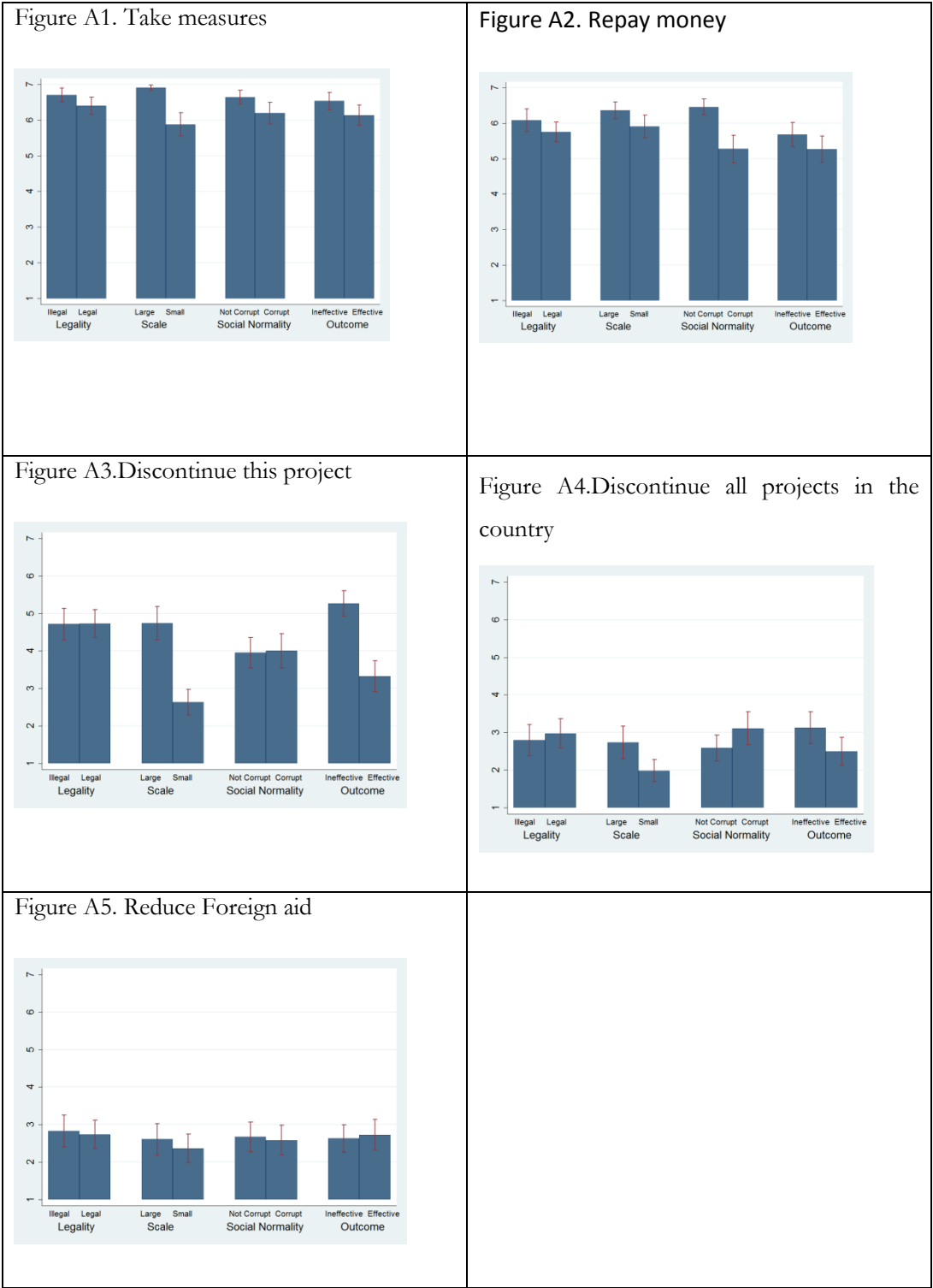
Notes. Mean value of the aid fatigue index and its different components in all experimental groups. Standard error in parenthesis

Table A2. Number of observations in experimental groups

Type of corruption	Take measures	Repay money	Discontinue project	Discontinue aid to country	Reduce foreign aid	Aid fatigue index	–
illegal	97	97	98	97	97	96	
Legal	118	116	117	118	118	115	
Large scale	84	84	83	83	84	82	
Small scale	108	108	108	107	108	107	
Non Corrupt social environ	97	96	97	96	96	96	
Corrupt social env	91	91	89	91	91	89	
Ineffective	103	102	101	101	102	99	
Effective	95	95	94	95	95	94	

Notes. Number of participants in all experimental groups.

Figure A1-A5. The effects of dimension and severity of corruption on components of the aid fatigue index, mean values with error bars



## Experimental Scenarios

### ATTITUDES TOWARDS FOREIGN AID

Below follows a description of a foreign aid project. Read the description and describe what You think about the proposal on the basis of the information you have received.

#### 1. Illegal Corruption

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that involved parties have both violated international and Indian anticorruption legislation, and that money has disappeared from the project's budget. Involved parties have, in an illegal manner, seized advantages and money from the project's budget. Nearly 90 million SEK has in beforehand been earmarked for this project.

#### 2. Legal Corruption

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that no involved parties violated existing anticorruption legislation, but that money disappeared from the project's budget. Involved parties have seized money from the project's budget, but completely without violating the law. Nearly 90 million SEK has in beforehand been earmarked for this project.

#### 3. Small Scale Corruption

A foreign aid project in India which intention is to reduce the emissions of greenhouse gases has today been accused for corruption. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that involved parties have seized money from the project's budget, but that very small amounts of money have disappeared. The advantages and money which the involved parties have seized are in context totally insignificant. Barely 2 million SEK has in beforehand been earmarked for this project.

#### 4. Large scale corruption

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that several parties have been involved and considerable sums of money have disappeared. Involved parties have seized significant advantages and very large sums of money have disappeared from the project's budget. Nearly 90 million SEK has in beforehand been earmarked for this project.

#### 5. Social Normality: corrupt social environment

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that involved parties seized advantages and money from the project's budget. The investigation shows however that the sum that has disappeared is not higher than the sum which normally disappears as a consequence of corruption and that the occurrence is normal for all kinds of activities in India. Nearly 90 million SEK has in beforehand been earmarked for this project.

#### 6. Social Normality :non corrupt social environment

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that several Swedish authorities have been involved. Employees at SIDA and Swedish organizations have seized advantages and money from the project's budget. Nearly 90 million SEK has in beforehand been earmarked for this project.

#### 7. Effectiveness

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that involved parties seized advantages and money from the project's budget. De-

spite this, the investigation shows that the project has had an intended effect and not only reduced the emissions of greenhouse gases, but also contributed to an efficient struggle against poverty. Nearly 90 million SEK has in beforehand been earmarked for this project.

#### 8. Ineffectiveness

Corruption has been revealed in a foreign aid project in India which intention is to reduce the emissions of greenhouse gases. The board of the Swedish International Development Cooperation Agency's (SIDA) investigation shows that involved parties seized advantages and money from the project's budget. The investigation shows that the corruption has been the most significant reason to that the project has not reached its goals. Instead, the project seems to have contributed to an increase of emissions and made poverty worse. Nearly 90 million SEK has in beforehand been earmarked for this project.

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